

U.S. Data Review

- CPI: energy prices ease; food prices jump; broad pressure in core

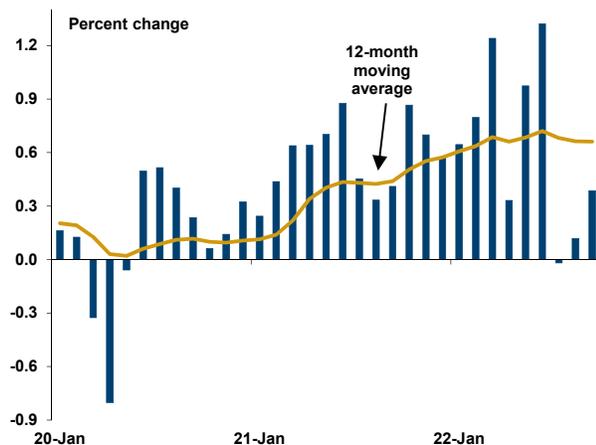
Michael Moran
Lawrence Werther

Daiwa Capital Markets America
 michael.moran@us.daiwacm.com
 lawrence.werther@us.daiwacm.com

Consumer Prices

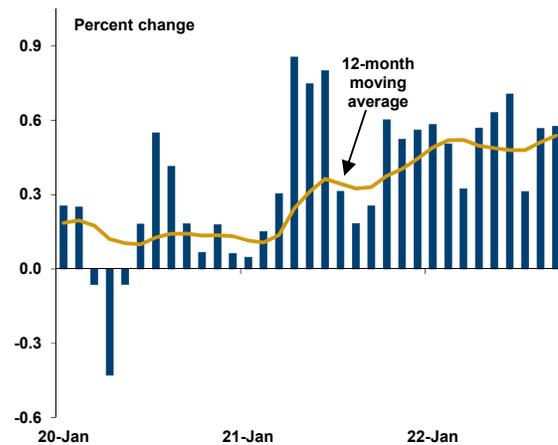
- The consumer price index rose 0.4 percent in September, faster than the consensus estimate of 0.2 percent. Energy prices fell 2.1 percent, led by a drop of 4.7 percent in the gasoline component. Costs of energy services (delivery of electricity and piped natural gas) remained under pressure, rising 1.1 percent after average advances of 2.0 percent in the prior 6 months.
- Food prices remained problematic. Pressure has eased in recent months, but only modestly so (up 0.8 percent in the past two months versus an average of 1.0 percent in the first seven months of the year).
- Core prices surged 0.6 percent in September (0.576 percent with less rounding), the fifth increase of 0.6 percent or more in the past six months.
- Some areas of the core which had come under pressure during the height of the pandemic or in the early stages of the recovery were expected to ease subsequently, and some items have indeed followed this path. Used car prices, for example, eased for the third consecutive month (-1.1 percent), and hotel fees were flat or down for the fourth consecutive month (-1.2 percent). Despite this restraint, core prices still jumped on average.
- Prices of services have emerged as an issue. Many observers expected that a shift in consumer spending from goods to services would ease intense pressure on goods prices and cool overall inflation. A shift in spending has occurred, and pressure on core goods prices has eased (flat in September and up an average of 0.3 percent in the past seven months versus an average of 1.1 percent from April 2021 through February of this year). However, prices of services excluding food and energy have accelerated (0.6 percent in the past six months versus an average of 0.3 percent in 2021). Several areas stand out: primary rents and owners' equivalent rent both rose 0.8 percent and costs of medical care services jumped 1.0 percent.
- The minutes from the September FOMC meeting indicated that some policymakers saw little sign that inflation was easing. Today's report reinforces that view.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Sources: Bureau of Labor Statistics via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.